

Message Text

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PANAMA PASS WAYNE TUCKER, DIRECTOR, GAO PANAMA

E.O. 11652: N/A
TAGS: EMIN, PGOV, BL
SUBJECT: PROPOSED GAO STUDY OF IMPLICATIONS OF US TIN POLICY

REF: GAO MEMORANDUM, MAY 31, 1978

1. SUMMARY. GAO AUDITORS TIMOTHY HAMMOND AND NORMAN EINHORN ARRIVED IN LA PAZ AUGUST 1 PRIMARILY TO PERFORM AN AUDIT OF AID MANAGEMENT OPERATIONS BUT IN THE ENTRANCE INTERVIEW WITH AID OFFICIALS, THE GAO AUDITORS PRESENTED AID WITH AN INTERNAL GAO MEMORANDUM SUGGESTING A SURVEY OF US TIN POLICY BE PERFORMED. AMBASSADORIAL CONCURRENCE WAS REQUESTED. DETAILS FOLLOW. END SUMMARY.

2. THE EMBASSY HAS A COPY OF MEMORANDUM BY GAO/ID JOSEPH FERRI TO GAO/LAB WAYNE TUCKER IN WHICH THE FORMER SUGGESTS A STUDY OF THE INTERNATIONAL IMPLICATIONS OF THE PROPOSED SALE OF TIN FROM THE STRATEGIC STOCKPILE. THE MEMORANDUM SUGGESTS A 50-HOURS STAFF STUDY USING SOME PERSONNEL FROM THE GAO LA OFFICE IN PANAMA.

3. THE MEMORANDUM BEGINS BY REFERRING TO THE VIOLENT REACTION BY PRODUCER COUNTRIES AGAINST THE ANNOUNCEMENT BY THE CARTER
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ADMINISTRATION OF SUPPORT FOR AUTHORIZATION TO SELL 30 TO 45 THOUSAND LONG TONS OF TIN FROM THE STOCKPILE. THE PRICE HAS INCREASE DRAMATICALLY SINCE 1964 BECAUSE OF A SHORTFALL IN WORLD PRODUCTION, ACCORDING TO THE MEMORNADUM, AND THE ITC HAS NOT BEEN ABLE TO HOLD THE PRICE BELOW THE CEILING. IT ASKS WHY THE US HAS MAINTAINED A STOCK OF 50,000 LT (SIC) WHEN THERE HAS BEEN A WORLD SHORTAGE AND IT ASKS IF THE CURRENT

STOCKPILE GOAL OF 40,000 LT (SIC) IS SUFFICIENT FOR US STRATEGIC NEEDS. (EMBASSY COMMENT: BOTH OF THESE FIGURES ARE INCORRECT.) STATISTICS ARE PRESENTED TO SHOW THAT BOLIVIA IS THE POOREST SOUTH AMERICAN COUNTRY AND MENTIONS THAT BOLIVIA EARS 50 PERCENT OF ITS EXPORT EARNINGS FROM TIN AND THAT IT IS A VERY HIGH COST TIN PRODUCER. THE GAO MEMO GOES ON TO MENTION THAT COCAINE IS A VERY IMPORTANT SOURCE OF FOREIGN EXCHANGE. IN SPITE OF THIS, BOLIVIA IS COOPERATING WITH THE USG TO REDUCE THE ILLEGAL TRAFFIC. BOTH DEA AND AID ARE ACTIVE IN THIS COUNTRY TO ACHIEVE THIS END. FINALLY A 50 HOUR STAFF SUTDY IS RECOMMENDED TO LOOK INTO THE FOLLOWING POINTS: 1) MATERIALS AVAILABILITY ASPECT OF PROPOSED TIN SALE; 2) IMPACT ON DEVELOPMENT ASSISTANCE OBJECTIVES ESPECIALLY IN BOLIVIA AND MALAYSIA; 3) AND IMPACT ON OTHER PROGRAMS SUCH AS DRUG ENFORCEMENT AND PL 480. AN INTERNAL JUSTIFICATION IS GIVEN FOR UNDERTAKING THE STUDY WHICH REFERS TO GAO RESPONSIBILITY FOR MATERIALS AVAILABILITY AND THE DOMESTIC AND INTERNATIONAL PROBLEMS RELATED TO IT AS WELL AS IMPROVING THE IMPACT OF US DEVELOPMENT ASSISTANCE.

4. THE EMBASSY REQUESTS THE ASSISTANCE OF THE DEPARTMENT IN CLARIFYING THE STATUS OF THIS PROPOSAL. WE DO NOT KNOW GAO HEADQUARTERS' VIEWS ON SUGGESTED STUDY, BUT THE EMBASSY RECOMMENDS AGAINST GOING AHEAD WITH THE STUDY AT THIS TIME. US TIN POLICY HAS BEEN UDER REVIEW BY EB AND THERE HAS BEEN CON- GRESSIONAL REVIEW BY MEANS OF TESTIMONY BEFORE CONGRESS (SEE LIMITED OFFICIAL USE

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HEARINGS AND MARKUP BEFORE THE COMMITTEE ON INTERNATIONAL RELATIONS, HOUSE OF REPRESENTATIVES AND ITS SUB-COMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE, 95TH COONGRESS SECOND SESSION ON HR 9486). IN ADDITION, WITH THE UNSETTLED POLITICAL SITUATION IN BOLIVIA IT WOULD NOT BE WELL TO HAVE A GAO TEAM LOOKING INTO VARIOUS ASPECTS OF OUR TIN POLICY HERE BECAUSE THERE HAVE ALREADY BEEN PRESS SUGGESTIONS THAT US TIN POLICY MIGHT BE USED IN A PUNITIVE FASHION AGAINST THE PEREDA GOVERNMENT AND REGARDLESS OF THE INTENTION OF THE GAO STUDY IT WOULD BE USED BY INTERESTED PARTIES AS PROOF OF US BAD INTENTIONS. THE EMBASSY THEREFORE RECOMMENDS THAT THE STUDY NOT BE UNDERTAKEN AT THIS TIME.

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